

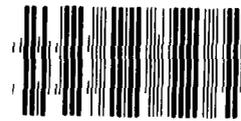
GAO

Report to the Clerk of the
House of Representatives

July 1986

FINANCIAL AUDIT

House Recording Studio Revolving Fund for 1985 and 1984



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**United States
General Accounting Office
Washington, D.C. 20548**

**Comptroller General
of the United States
B-114842**

July 10, 1986

The Honorable Benjamin J. Guthrie
Clerk of the House of Representatives

Dear Mr. Guthrie:

As requested in your letter of November 20, 1985, we have examined the balance sheets of the House of Representatives Recording Studio Revolving Fund as of December 31, 1985 and 1984, and the related statements of operations and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We completed our audit work on March 28, 1986.

In our opinion, the financial statements referred to above present fairly the financial position of the House of Representatives Recording Studio Revolving Fund as of December 31, 1985 and 1984, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles and the accounting policies described in note 1 to the financial statements applied on a consistent basis except for a change, with which we concur, in determining the value of the maintenance and supply inventory as described in note 1.

Our report on internal accounting controls and compliance with laws and regulations, together with the Fund's financial statements and accompanying notes for the years ended December 31, 1985 and 1984, are included on the following pages.

We are sending a copy of this report to the Chairman of the Committee on House Administration.

Sincerely yours,

for 

Charles A. Bowsher
Comptroller General
of the United States

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Report on Internal Accounting Controls and Compliance With Laws and Regulations

We have examined the financial statements of the House of Representatives Recording Studio Revolving Fund for the years ended December 31, 1985 and 1984. Our examinations were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures, including tests of compliance with laws and regulations, as we considered necessary in the circumstances. This report pertains only to our preliminary review of the system of internal accounting controls, and our review of compliance with laws and regulations for the year ended December 31, 1985. (Our report on internal accounting controls and compliance with laws and regulations for the year ended December 31, 1984, is presented in GAO/AFMD-85-52, July 10, 1985.)

We did not complete a study and evaluation of the Fund's internal control system for the purpose of determining the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Fund's financial statements. Based on our preliminary review, we concluded that it was more efficient to expand our substantive audit tests in examining the financial statements for the year ended December 31, 1985.

While we did not perform a complete study and evaluation of the Fund's internal control system, we did not become aware of any condition during our expanded substantive audit tests which we believe to be a material weakness. In audits where we do study and evaluate the internal control system, material weaknesses in the internal control system would not necessarily be disclosed. Accordingly, even in such cases, we would not be able to express an opinion on the system taken as a whole.

As part of our examination, we also tested the Fund's compliance with applicable laws and regulations. In our opinion, the House Recording Studio Revolving Fund complied with the terms and provisions of laws and regulations for the transactions tested that could have materially affected its financial statements. Nothing came to our attention, in connection with our examination, that caused us to believe that the Fund was not in compliance with the terms and provisions of laws and regulations for those transactions not tested.

Balance Sheet

	December 31,	
	1985	1984
Assets		
Current Assets		
Revolving fund cash (note 1)	\$ 749,569	\$ 668,411
Petty cash	100	100
Accounts receivable—Members	35,491	14,079
Inventory of materials and supplies, at cost	22,667	29,131
Total current assets	807,827	711,721
Fixed Assets		
Equipment (note 2)	1,460,255	1,313,467
Less accumulated depreciation (note 1)	799,715	723,397
Total fixed assets	660,540	590,070
Total Assets	\$1,468,367	\$1,301,791
Liabilities and Government Equity		
Liabilities		
Accounts payable	\$ 18,746	935
Government Equity		
Contributed capital	183,410	183,410
Revolving fund		
Balance at beginning of year	1,117,446	1,022,799
Net income	148,765	94,647
Balance at end of year	1,266,211	1,117,446
Total government equity	1,448,621	1,300,856
Total Liabilities and Government Equity	\$1,468,367	\$1,301,791

The accompanying notes are an integral part of this statement

Statement of Operations

	Total		Photographic Laboratory		Radio		Television	
	1985	1984	1985	1984	1985	1984	1985	1984
Revenue								
Sales	\$429,822	\$295,161	\$112,850	\$103,448	\$63,539	\$46,641	\$253,433	\$145,072
Expenses								
Maintenance and repairs	41,127	36,167	15,162	6,693	3,159	4,914	22,806	24,560
Small equipment expense	34,418	5,728	4,178	3,548	1,914	940	28,326	1,240
Supplies	31,890	8,345	11,552	8,345	2,612	0	17,726	0
Film materials	18,632	16,314	18,632	16,314	0	0	0	0
Office supplies and expenses	4,388	4,330	1,462	1,444	1,463	1,443	1,463	1,443
Miscellaneous expenses	4,961	11,500	1,653	3,834	1,654	3,833	1,654	3,833
Outside processing	179	596	179	596	0	0	0	0
Depreciation of equipment	130,761	118,230	17,055	13,356	18,864	16,761	94,842	88,113
Total expenses (note 1)	266,356	201,210	69,873	54,130	29,666	27,891	166,817	119,189
Income From Operations	163,466	93,951	42,977	49,318	33,873	18,750	86,616	25,883
Other Income								
Net income from silver recovery	119	696	119	696	0	0	0	0
Gain (Loss) on disposal of equipment	(14,820)	0	(5,948)	0	(4,436)	0	(4,436)	0
Net Income	\$148,765	\$ 94,647	\$ 37,148	\$ 50,014	\$29,437	\$18,750	\$ 82,180	\$ 25,883

The accompanying notes are an integral part of this statement

Statement of Changes in Financial Position

	Years ended December 31,	
	1985	1984
Funds Provided		
Net income from operations	\$163,466	\$ 93,951
Provision for depreciation	130,761	118,230
Income from silver recovery	119	696
Increase in accounts payable	17,811	0
Decrease in accounts receivable	0	2,400
Decrease in inventory of materials and supplies	6,464	718
Total funds provided	318,621	215,995
Funds Applied		
Increase in accounts receivable	21,412	0
Decrease in accounts payable	0	1,715
Loss on equipment disposal	14,820	0
Purchase of equipment	201,231	50,997
Total funds applied	237,463	52,712
Increase in Cash	\$ 81,158	\$163,283

The accompanying notes are an integral part of this statement

Notes to Financial Statements

Note 1. Significant Accounting Policies

The House Recording Studio was established pursuant to section 105 of the Legislative Branch Appropriation Act, 1957 (2 U.S.C. 123b). The Studio, managed by a director under the jurisdiction of the Clerk of the House of Representatives and subject to the direction and control of the Special Committee on the House Recording Studio, makes photographic prints, as well as radio and television tape recordings for Members and committees of the House. The prices charged for services are set by the Clerk of the House, subject to the approval of the Special Committee. The Congressional Handbook provides a detailed description of the Recording Studio's activities.

Studio operations are financed from the Revolving Fund and from funds appropriated to the Clerk of the House and the Architect of the Capitol. All moneys received from operations are deposited into the Revolving Fund and are available for the Studio's operations.

Each Member is authorized an allowance for the conduct of the official and representational duties of his or her office. Charges for Recording Studio services provided to Members may be paid (1) by the House Finance Office from a Member's allowance account, (2) directly by a Member, or (3) by a media organization through a Member.

Charges for Recording Studio services provided to committees may be paid (1) by the House Finance Office from committee funds or (2) by a media organization through a committee.

The statement of operations does not include the cost of certain expenses paid from appropriated funds of the Clerk of the House or the Architect of the Capitol. Costs for space, building repairs, and utilities cannot be readily ascertained. The cost of other expenses paid from appropriated funds, which could be determined, are shown in the following table. The expenses are separated into two primary categories: (1) regular recording studio operations and (2) televised coverage of proceedings on the floor of the House of Representatives.

Table 1.1: Expenses Paid With Appropriated Funds

Type of expense	Studio operations	Floor coverage	Total cost
Salaries and benefits	\$836,310	\$515,702	\$1,352,012
Equipment expenses paid to House Office			
Equipment Services	0	342,096	342,096
Reimbursement to House Information Services	100,432	0	100,432
Property supply requisitions	0	68,256	68,256
Photo Lab renovation (materials only)	54,127	0	54,127
Telephone	8,889	0	8,889
Office supplies	466	0	466
Travel	224	0	224
	\$1,000,448	\$926,054	\$1,926,502

Inventories are stated at cost and are charged to operations on a first-in, first-out basis. Beginning with 1985, the maintenance and supply inventory is valued on a weighted average cost basis.

Equipment is depreciated over a 10-year or a 5-year period using the straight-line method.

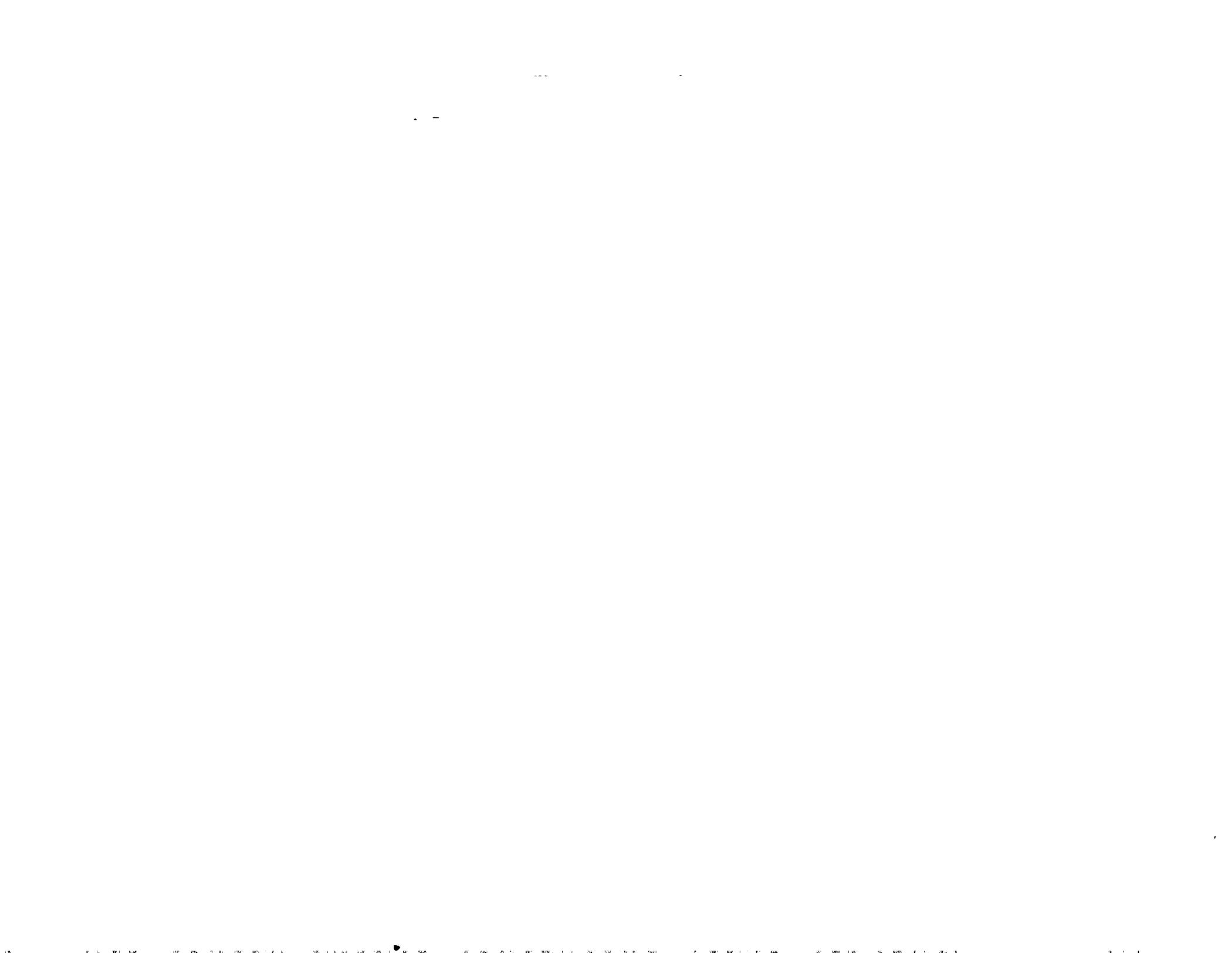
Note 2. Equipment

A summary of the changes in the equipment account for the years ended December 31, 1985 and 1984, follows.

Table 1.2: Changes in Equipment

	Television	Radio	Photographic laboratory	Office	Total
Balance - December 31, 1983	\$ 965,305	\$161,954	\$103,650	\$32,941	\$1,263,850
Additions	25,089	25,908	0	0	50,997
Reductions	0	0	(1,380)	0	(1,380)
Balance - December 31, 1984	990,394	187,862	102,270	32,941	1,313,467
Additions	123,035	13,463	94,278	0	230,776 ^a
Reductions	(18,433)	(517)	(32,448)	(32,590)	(83,988)
Balance - December 31, 1985	\$1,094,996	\$200,808	\$164,100	\$ 351	\$1,460,255

^aThis figure represents the net value of equipment purchased during 1985. When reduced by the undepreciated value of equipment traded-in (\$29,545), it corresponds with the funds applied (\$201,231) for purchase of equipment shown in the statement of changes in financial position.



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